

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6941**

**BILL NUMBER:** HB 1431

**NOTE PREPARED:** Jan 12, 2009

**BILL AMENDED:**

**SUBJECT:** Free Textbooks.

**FIRST AUTHOR:** Rep. Riecken

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
X FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** *Textbook Program for Free and Reduced Lunch Students-* The bill eliminates a program that provides state reimbursement and township assistance for costs incurred by public schools to provide textbooks and certain other instructional material without charge to students eligible for free or reduced price lunches or other public assistance.

*Textbooks For Students Without Charge-* The bill establishes a requirement that public schools provide textbooks and certain other instructional material without charge to all students.

*Textbook Grant-* The bill provides an annual state textbook grant to public schools to pay for the purchase and repair of textbooks and instructional material.

*Textbook Fund-* The bill requires that the revenue for the grant be deposited in a textbook fund.

*Textbook Rental Program-* The bill repeals authority for public schools to engage in a public school textbook rental program and the requirement that residents petition a school corporation to establish a school textbook library program to provide textbooks without charge to students.

*Miscellaneous Changes/Provisions-* The bill makes conforming changes, and adds transitional provisions.

**Effective Date:** July 1, 2009.

**Summary of NET State Impact:** The following table illustrates the potential net cost to the state.

<b>FY</b>	<b>Textbook Grants</b>	<b>Elimination of State Appropriation for Textbooks*</b>	<b>Nonpublic Free Textbooks for Free and Reduced Lunch**</b>	<b>Net Cost***</b>
<b>2010</b>	\$106.5 M	(\$39 M)	\$0.44 M	\$67.9 M
<b>2011</b>	\$107.2 M	(\$39 M)	\$0.46 M	\$68.6 M
<b>2012</b>	\$107.9 M	(\$39 M)	\$0.48 M	\$69.3 M
<p>*Assuming the textbook appropriation level of \$39 M for FY 2009 were to continue beyond the biennium, as if no funding changes occurred as proposed by the bill.</p> <p>**Would still be required under bill.</p> <p>***As described below in the Temporary Assistance for Needy Families (TANF) section, the net cost to the state shown in the table could increase by up to \$31 M per fiscal year if additional expenditures in another program are required. However, reclassification of existing, but unidentified, expenditures could mitigate the net increase.</p>				

*Existing Nonpublic School Textbook Reimbursement-* Under the bill, students attending nonpublic schools in the free or reduced lunch program would still receive textbook reimbursement. However, nonpublic schools would not be eligible for the ADM grant proposed by the bill. There were 5,130 students attending nonpublic schools that received \$421,457 in textbook reimbursement under the current program during school year 2007-2008. (See: *Current Grant* under *Explanation of State Expenditures*.)

**Explanation of State Expenditures:** *Textbook Grant-* School corporations would be eligible for a state grant per ADM of \$105. The projected costs of these grants are approximately \$106.5 M for FY 2010, \$107.2 M in FY 2011, and \$107.9 M in FY 2012.

*Current Grant-* The General Assembly appropriated \$39 M during FY 2009 to cover textbook reimbursement to public and nonpublic schools for those students on the federal free and reduced lunch program. Since the bill abolishes the textbook rental program, the state General Fund would realize a savings of \$39 M for FY 2010 and thereafter (based on the assumption that future appropriations would have otherwise remained at the FY 2009 level).

*Potential Impact on the TANF Block Grant Program-* The elimination of the textbook rental program may impact the Temporary Assistance to Needy Families (TANF) program. States are required to meet a specified maintenance of effort (MOE) level in order to qualify for the federal TANF block grant of about \$206 M annually. Indiana's annual TANF MOE obligation is in the \$121 M range. The Family and Social Services Administration (FSSA) meets this obligation by expending state funds appropriated for this purpose and by claiming expenditures from other state agencies that meet the purposes and requirements of eligible TANF MOE expenditures.

FSSA has been able to include as MOE about \$31.5 M of the \$39 M state expenditure for textbooks because it is an expenditure targeted at the low-income population. About \$7.5 M cannot be used as part of MOE for textbooks because MOE expenditures can only be counted in excess of the 1995 level of expenditures. Therefore, because the proposed textbook grant program is targeted at the general student population, the state expenditure for those students that are not low-income will not qualify as an MOE expenditure, thus requiring either additional expenditures in another program or reclassification of existing, but unidentified,

expenditures as MOE. (The reclassified funds, if qualifying, must also demonstrate an increase in expenditures from the TANF base year. Only the increase in funds can be included as meeting the TANF MOE requirement. For this reason, FSSA cannot count the entire \$39 M textbook expenditure described above as MOE.)

Actual aggregate MOE expenditures claimed totaled \$154.4 M in FFY 2007. FFY 2008 amounts have not yet been finalized. Projected expenditures in FFY 2009 are \$133 M.

*Background - Elimination of Textbook Rental Program-* The School Textbook Reimbursement Contingency Fund provides school corporations and accredited nonpublic schools reimbursement from the Department of Education for the costs incurred during a school year in providing classroom instruction to children who meet the federal free and reduced lunch standards. Prior to school year 1999-2000, the program only provided assistance on behalf of students meeting free lunch standards.

During the 2007-2008 school year, 409,355 public school students participated in the textbook reimbursement program. School corporations were completely reimbursed of the qualifying students' textbook costs and refunded \$25,038 during school year 2007-2008.

The school corporation or accredited nonpublic school must file a claim with the Department of Education before November 1 of the current school year. The claim must include the number of eligible students and the associated costs for textbooks, consumable textbooks, and workbooks. The claim must include copies of all filed and approved applications for free and reduced lunch recipients. The approved applications must include data required by FSSA with regard to TANF to be considered by the Department of Education for reimbursement under this program.

Reimbursement is distributed each school year. Public and accredited nonpublic schools may apply for supplemental reimbursement after April 1 but before May 1 of the school year to account for children enrolled after the original reimbursement was applied for. If the amount of reimbursement requested exceeds the amount appropriated, the Department of Education is required to proportionately reduce the amount of reimbursement to each school corporation and nonpublic school.

#### **Explanation of State Revenues:**

**Explanation of Local Expenditures:** See *Explanation of Local Revenues*.

**Explanation of Local Revenues:** *Textbook Rental Program-* School corporations currently pay for textbooks using textbook rental fees, proceeds from the sale of used textbooks, state reimbursement of textbooks for children who qualify for the federal Free and Reduced Lunch Program, and financial assistance from township trustees. As proposed by this bill, school corporations would be eligible to use a state grant of \$105 per ADM instead of the above sources. Under the bill, the CY 2009 grant would only be 50% of the total received in a year.

The following table compares the projected costs and revenues to public school corporations under current law to the projected costs and revenues as proposed by this bill.

CY	Estimate Based On Current Law			Estimate Based on Proposed Bill			Net Change
	Projected Revenue	Projected Costs	Current Diff.	Projected Revenue	Projected Costs	Projected Diff.	
2009	\$106.8 M	(\$117.0 M)	(\$10.2 M)	\$106.5 M*	(\$117.0 M)	(\$10.5 M)	(\$0.3 M)
2010	\$109.0 M	(\$98.7 M)	\$10.3 M	\$107.2 M	(\$98.7 M)	\$8.5 M	(\$1.8 M)
2011	\$111.3 M	(\$120.0 M)	(\$8.7 M)	\$107.9 M	(\$120.0 M)	(\$12.1 M)	(\$3.4 M)
*Includes one-half of CY 2009 Projected Revenue- \$53.4 M and one-half CY 2009 State Grant-\$53.1 M.							

Estimate Based on Current Law- Under current law, the revenues that school corporations receive from textbook fees and sales are projected to increase at an average rate of 2.1% annually. Monies from the state General Fund for textbook reimbursements are assumed to remain at the FY 2009 level (General Fund reimbursements). Textbook purchases are projected to increase by an average rate of 4% annually. The difference between projected revenues and expenditures is shown in the column with the heading "Current Diff." These projections show that costs would exceed collected revenues assuming that projected trends occur.

Estimate Based on Proposed Bill- As proposed by the bill, school corporations would be eligible to receive revenue from a state grant based on each school corporation's ADM. This grant revenue at \$105 per ADM is not projected to exceed revenues that school corporations currently receive from other sources.

Net Change- The final column in the table above shows the difference between the net differences of the two sets of projections. Overall, when comparing the differences in projections between current law and this bill, school corporations could potentially realize a loss of revenue totaling \$0.3 M in CY 2009, \$1.8 M in CY 2010, and \$3.4 M in CY 2011.

*Textbook Rental Program-* Under current law, school corporations may provide free textbooks through elementary and high school libraries if 51% of the registered voters in the school district approve a referendum. This bill would effectively end school general fund revenue that is used to provide free textbooks via a school library textbook program. The number of schools with a library textbook program is unknown.

**State Agencies Affected:** DOE, Department of Local Government Finance, Treasurer of State.

**Local Agencies Affected:** School corporations.

**Information Sources:** Debbie Hinline, DOE; DOE ORACLE Data Tables; Jessaca Turner Stults, FSSA, 317-234-3884.

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